

Massachusetts Tax Credits

Social Security deduction: Filers are allowed to deduct up to a maximum of \$2,000 paid into Social Security, Medicare, Railroad Retirement, or the US or MA retirement systems. They are also allowed the same maximum deduction for their spouse (if any). In general, someone earning above roughly \$26,150 should be at that \$2,000 maximum. *Page 16*

Deduction for young dependent, disabled dependent, and disabled spouse care expenses: MA now exceeds the federal limits on this deduction, so I thought I'd include this. The limits are \$4,800 for one qualifying dependent/spouse and \$9,600 for two or more qualifying dependents (the spouse counts towards this). [Note that anyone using this deduction is ineligible for the **standard young, aged, or disabled dependent deduction** (i.e. a \$3,600 deduction for each dependent under age 12, age 65 and older, or disabled, up to a maximum deduction of \$7,200).] Also, to calculate the amount of the dependent care expenses deduction, filers need to complete what is called the "Line 12 Worksheet", although I don't think that needs to be submitted with the return. *Page 16*

Rental deduction: The rental deduction is equal to 50% of any rent paid in the calendar year, up to a maximum deduction of \$3,000. (That is, anyone paying \$500 or more per month in rent will be at the maximum deduction.) Any payments to occupy a motel or rooming house or for separate utility charges can not be counted as rent, unless, in the case of the former, a rental agreement exists. Based on the Form 1 instructions, it does not appear that any sort of documentation (receipts, etc.) need to be included with the return to claim this deduction. *Pg 17*

"No-tax" status and limited income credit: These two parts of the code are related so I'll describe them together. Under the "no-tax" provisions of the MA tax code, single filers with Massachusetts AGI of less than \$8,000 do not owe tax, head of household filers with AGI of less than \$12,700 (plus \$1,000 per dependent, up to 6 dependents) do not owe tax, and joint, married filers with AGI of less than \$14,200 (plus \$1,000 per dependent, up to 6 dependents) do not owe tax. For filers with AGI above these thresholds, the limited income credit (LIC) kicks in. Specifically, single filers with MA AGI of less than \$14,000, heads of household with AGI of less than \$22,225, and joint, married filers with AGI of less than \$24,850 are eligible for an additional credit – the LIC – that reduces tax liability (heads of household and married joint filers add \$1,750 per dependent, up to 6 dependents, to these LIC thresholds). The value of the LIC is 10 percent of the amount by which the filer's AGI exceeds the LIC threshold; for instance, the LIC for a single filer with AGI of \$8,500 would be \$50 (i.e. $(\$8,500 - \$8,000) * .10$). Unfortunately, filers need to complete a couple of worksheets (MA AGI Worksheet and "Line 28" worksheet) to determine their "no-tax" status or the value of the LIC, but, again, I don't think these need to be enclosed with the return. *Pages 20-21*

Senior "circuit breaker" credit: The MA tax code allows filers aged 65 and older to claim a credit for the amount of property taxes paid or rent paid above certain thresholds. For property taxes, the credit is equal to the amount by which property taxes exceed 10 percent of total income; for renters, the value of the credit is the amount by which 25% of their rent exceeds 10% of their income (i.e. a person with an income of \$15,000 would have to be paying rent of more than \$6,000 per year). The process for claiming this credit is fairly complicated (as the "income" used to calculate the credit is something other than MA AGI), plus it isn't available to people who would be claiming the EITC (because of the age restrictions), so I haven't described it in full here. However, I thought I'd mention it just in case. It is discussed in some detail on pages 54-56 of the Form 1 instructions.